



# Impact on the Federal Budget of Freezing Non-Security Discretionary Spending

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## Summary

As economic recovery continues, the focus on the federal budget has shifted, in part, towards deficit reduction. In fiscal year (FY) 2009, the federal budget deficit, relative to the size of the economy, reached a level not seen since the end of World War II. Deficit levels are projected to remain elevated through FY2011. The budget deficit for FY2011, according to CBO's analysis of the President's budget, is projected to be \$1,342 billion. In his FY2011 budget, the President made several proposals to curb spending, while acknowledging that additional steps are needed to achieve long-term fiscal stability.

The President proposes to freeze non-security discretionary spending for the next three fiscal years (FY2011-FY2013) at FY2010 nominal levels (i.e., spending levels would not be adjusted for inflation). After FY2013, growth in this category of spending would be linked to inflation. Non-security discretionary spending is defined as discretionary spending outside of defense, homeland security, veterans affairs, and international affairs. If enacted in this form, the President's budget projects that this proposal would save approximately \$250 billion over the next 10 years.

Under the Administration's Current Policy baseline, the deficit is projected to equal 7.5% of GDP in FY2011, falling to 5.6% of GDP in FY2020. If all of the President's proposed policies are implemented, the Administration projects that the deficit will fall from 8.3% of GDP in FY2011 to 4.2% of GDP in FY2020. In other words, the deficit would be 1.4% of GDP lower in FY2020 compared to current policy if all of the President's proposals are enacted. In order to achieve even greater deficit reduction, larger cuts would be needed. To illustrate, even if non-security discretionary spending is cut to zero and there are no other policy changes implemented, the deficit would fall from 4.0% of GDP in FY2011 to 3.3% of GDP in FY2020. This would mean no federal funding for education, transportation, most energy, and numerous other programs. In order to balance the budget, significant additional spending cuts, tax increases, or a combination would still be required.

Freezing non-security discretionary spending can reduce the deficit relative to certain policy alternatives. In other words, whether or not freezing non-security discretionary spending actually lowers the deficit depends on which deficit projections are used as the starting point to measure the impact of policy changes. Depending on which one of the three Administration's baseline scenarios are used as a starting point to measure savings, this proposal may generate lower levels of savings compared to what is described in the President's budget. Achieving savings from this proposal ultimately depends on what policies Congress enacts this year and in each subsequent budget cycle. Congress enacts appropriations every year and would continue to face a decision on legislation restraining non-security discretionary spending in future years.

The proposal to place a three-year freeze on non-security discretionary spending, as analyzed in this report, represents a small reduction in the federal budget deficit. Freezing this spending does not address longer-term budgetary challenges.

This report will not be updated.

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As economic recovery continues, the focus on the federal budget has shifted, in part, towards deficit reduction. In fiscal year (FY) 2009, the federal budget deficit, relative to the size of the economy, reached a level not seen since the end of World War II. Deficit levels are projected to remain elevated through FY2011. The budget deficit for FY2011, according to CBO's analysis of the President's budget, is projected to be \$1,342 billion.<sup>1</sup> As concern over the long-term effects of an elevated federal budget deficit grows, the President's FY2011 budget contains several proposals intended to reduce the deficit to more sustainable levels.<sup>2</sup>

In his FY2011 budget proposal, the President made several proposals to immediately curb spending, while acknowledging that additional steps are needed to achieve long-term fiscal stability. The President's budget proposes a three-year freeze on non-security discretionary spending, along with other specific programmatic terminations and reductions. The budget also includes a recommitment to cut the deficit in half by the end of the President's current term, with the ultimate objective of enacting policies to achieve a sustainable budget deficit. To assist in reaching this goal, the President created a fiscal commission tasked with providing recommendations to balance the budget, exclusive of interest payments, by FY2015.

This report examines the impact on the federal budget of the President's proposals, specifically the proposed freeze in non-security discretionary spending and how the freeze might change the fiscal outlook over the 10-year budget window.

## **The President's Proposals**

### **Non-Security Discretionary Spending Freeze**

The President proposes to freeze non-security discretionary spending for the next three fiscal years (FY2011-FY2013) at FY2010 nominal levels (i.e., spending levels will not be adjusted for inflation). After FY2013, growth in this category of spending would be linked to inflation.<sup>3</sup> If enacted in this form, the President's budget projects that this proposal will save approximately \$250 billion over the next 10 years, relative to current policy.<sup>4</sup>

Non-security discretionary spending in this proposal is defined as discretionary budgetary resources outside of defense, homeland security, veterans affairs, and international affairs.<sup>5</sup>

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<sup>1</sup> U.S. Congressional Budget Office, *An Analysis of the President's Budgetary Proposals for Fiscal Year 2011*, March 2010, Table 1-2, available at <http://www.cbo.gov/ftpdocs/112xx/doc11280/03-24-apb.pdf>.

<sup>2</sup> For a full analysis of the FY2011 federal budget, see CRS Report R41097, *The FY2011 Federal Budget*, by Mindy R. Levit.

<sup>3</sup> U.S. Department of the Treasury, Treasury Secretary Timothy F. Geithner, written testimony, p. 7, for U.S. Senate Budget Committee, February 4, 2010, available at [http://budget.senate.gov/democratic/testimony/2010/TG\\_Budget%20Testimony\\_SBC.pdf](http://budget.senate.gov/democratic/testimony/2010/TG_Budget%20Testimony_SBC.pdf).

<sup>4</sup> U.S. Office of Management and Budget, *Budget of the U.S. Government, Fiscal Year 2011, Budget Volume*, Table S-2.

<sup>5</sup> U.S. Office of Management and Budget, *Testimony of Peter R. Orszag, Director of the Office of Management and Budget*, p. 7, before the U.S. Senate Budget Committee, February 2, 2010, available at [http://www.whitehouse.gov/omb/assets/testimony/orszag\\_budget\\_020210.pdf](http://www.whitehouse.gov/omb/assets/testimony/orszag_budget_020210.pdf).

Non-security discretionary budgetary resources include budget authority for non-security federal departments and agencies as well as the obligation limitations of the Department of Transportation, provided every year through the appropriations process.<sup>6</sup>

The freeze in non-security discretionary budgetary resources does not impact all programs and agencies uniformly. For example, funding is proposed to be eliminated or consolidated in several education programs, while others receive funding increases.<sup>7</sup> There are proposals to increase government-wide spending for job training and employment programs. Spending increases for research and development funding will be targeted to the National Science Foundation, the Department of Energy's Office of Science, and the National Institute of Standards and Technology, while the President's budget would cancel NASA's Constellation program.<sup>8</sup>

At the agency level, the largest cuts in budgetary resources are proposed for the Department of Commerce (\$5 billion), the Department of Justice (\$3.4 billion), and the Department of Housing and Urban Development (\$2 billion). Those entities receiving the largest increases include the Department of Education (\$2.9 billion), the Department of Transportation (\$1 billion), and the Social Security Administration (\$0.8 billion).<sup>9</sup>

## Other Savings Proposals

Two other major savings proposals accompanied the President's budget. They include the FY2011 Terminations, Reductions, and Savings (TRS) budget volume, and the creation of a fiscal commission tasked with providing policy recommendations to achieve long-run fiscal stability. In the TRS volume, 78 discretionary programs are listed for termination or reduction, yielding savings of \$10 billion in FY2011.<sup>10</sup> In addition, the President proposes to terminate or reduce spending for 33 mandatory programs, saving \$240 billion over 10 years.

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<sup>6</sup> The obligation limitations for the Department of Transportation (DOT) are derived from the contract authority of Highway and Aviation Trust Funds. Contract authority is a type of budget authority that is available for obligation as a result of provisions in authorizing legislation, without requiring any further legislative action (i.e., without any appropriation by Congress). In order to impose a limit on the amount of money that the government can be obligated to spend on federal highway and aviation programs financed through the DOT's trust funds, the amount of contract authority that can be obligated is limited by a spending control mechanism called a "limitation on obligations" (often referred to as "ObLim" or "Oblimit"). The ObLim for each year is set in the authorizing legislation, and is included in the DOT appropriations bill. For more information, see CRS Report R40053, *Surface Transportation Program Reauthorization Issues for the 111<sup>th</sup> Congress*, coordinated by John W. Fischer; CRS Report RL33913, *Aviation Finance: Federal Aviation Administration (FAA) Reauthorization and Related Issues*, by John W. Fischer; and CRS Report R40805, *Transportation, Housing and Urban Development, and Related Agencies (THUD): FY2010 Appropriations*, by David Randall Peterman and Maggie McCarty.

<sup>7</sup> U.S. Department of the Treasury, Treasury Secretary Timothy F. Geithner, written testimony, p. 7, for U.S. Senate Budget Committee, February 4, 2010.

<sup>8</sup> U.S. Office of Management and Budget, *Testimony of Peter R. Orszag, Director of the Office of Management and Budget*, p. 7, before the U.S. Senate Budget Committee, February 2, 2010.

<sup>9</sup> Proposed increases in discretionary budget authority do not include the following: (1) Department of Education—does not account for Pell Grant funding; (2) Department of Transportation—does not account for changes in obligation limitations. The Departments of State and Energy have both security and non-security programs. U.S. Office of Management and Budget, *Budget of the U.S. Government, Fiscal Year 2011, Budget Volume*, Table S-11.

<sup>10</sup> The \$10 billion in savings for discretionary programs is in terms of budget authority, rather than outlays. Budget authority is required for programs to spend money; however, no funds are actually spent until an outlay occurs. Effectively, this means that the savings generated by these proposed cuts may not reduce the deficit until future fiscal years.

For FY2010, Congress approved nearly 60% (or \$6.8 billion) of the discretionary spending cuts proposed in that year's Terminations, Reductions, and Savings budget volume.<sup>11</sup> However, some of the FY2011 terminations and reductions are similar to those proposed but not accepted by Congress for FY2010, which may indicate that it will be harder to gain approval for these cuts, which were already previously rejected.

To meet the Administration's proposal to freeze non-security discretionary spending Congress may need to accept many or all of the proposed terminations and reductions. If Congress accepts all of the proposed cuts, the savings for FY2011 alone would amount to roughly \$21.4 billion for mandatory and discretionary programs.

The Administration hopes to achieve additional savings by working with Congress to enact forthcoming recommendations of the fiscal commission, which was created by executive order on February 18, 2010. The commission's task is to balance the budget, excluding net interest payments, by FY2015. The commission's recommendations would lead to annual budget deficits of roughly 3% of GDP, equal to the projected amount of interest payments in FY2015. The recommendations of the commission must be submitted to Congress by December 1, 2010, with 14 out of 18 members, according to the executive order, needing to vote to report the recommendations.<sup>12</sup>

## Trends in Non-Security Discretionary Budgetary Resources

**Table 1** shows the proposed levels of discretionary budgetary resources from FY2010 through FY2020, broken out by security and non-security discretionary spending. Also included are (1) the percentage increases or decreases relative to the prior year's levels of non-security discretionary budgetary resources, and (2) non-security discretionary budgetary resources as a percentage of total discretionary budgetary resources.

According to these figures in the President's budget, non-security discretionary spending, as measured by budgetary resources, is estimated to fall by 1.1% from FY2010 to FY2011. Spending will rise by 1.2% between FY2011 and FY2012 and will remain flat between FY2012 and FY2013. Between FY2014 and FY2020, non-security discretionary spending is projected to rise 2.7% per year, on average. Over the FY2010 to FY2020 period, non-security discretionary spending is expected to average 35% of total discretionary budgetary resources and approximately 12% of total budgetary resources, representing a relatively small portion of total government spending.<sup>13</sup>

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<sup>11</sup> U.S. Office of Management and Budget, *Budget of the U.S. Government, Fiscal Year 2011, Terminations, Reductions, and Savings*, pp. 1, 3, available at <http://www.whitehouse.gov/omb/budget/fy2011/assets/trs.pdf>.

<sup>12</sup> President of the United States, *Executive Order—National Commission on Fiscal Responsibility and Reform*, February 18, 2010, available at <http://www.whitehouse.gov/the-press-office/executive-order-national-commission-fiscal-responsibility-and-reform>.

<sup>13</sup> Mandatory outlays were added to discretionary budgetary resources to provide an approximation of total budgetary resources for the purposes of this calculation.

**Table 1. Proposed Discretionary Budgetary Resources by Fiscal Year**

Billions of dollars

	2010 <sup>a</sup>	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Security	855	879	798	849	840	864	885	907	929	953	978
Non-Security	447	441	446	446	459	472	479	489	502	517	538
Percentage change from prior year in non-security discretionary spending	—	-1.1%	1.2%	0.0%	2.9%	2.9%	1.4%	2.1%	2.6%	3.1%	4.0%
Total discretionary	1,302	1,320	1,244	1,265	1,299	1,336	1,363	1,395	1,431	1,470	1,515
Non-security spending as a percentage of total discretionary spending	34.3%	33.4%	35.9%	35.3%	35.3%	35.3%	35.1%	35.1%	35.1%	35.2%	35.5%

**Source:** CRS calculations based on U.S. Office of Management and Budget, *Budget of the U.S. Government: Fiscal Year 2011*, Tables S-4, S-10, and S-11.

**Notes:** The Administration defines budgetary resources as budget authority plus “obligation limitations” for the Department of Transportation. Totals may not add due to rounding.

a. Includes \$41 billion in proposed supplemental funding not yet enacted.



Discretionary spending comprises a relatively small portion of total spending. In FY1970, the federal government spent nearly 62% of total outlays on discretionary spending, 31% of total outlays on mandatory programs, and 7% of total outlays on net interest payments. While the composition of spending has fluctuated over time, larger trends show a reversal in total outlays dedicated to mandatory and discretionary spending.<sup>14</sup> In the most recently completed fiscal year, FY2009, the federal government spent 35%, 60%, and 5% of total outlays on discretionary spending, mandatory programs, and net interest payments, respectively. The amount of federal funds spent on discretionary programs in FY2009 is nearly equivalent, as a percentage of total outlays, to the amount spent on mandatory spending in FY1970. Cutting discretionary programs will generate smaller effects on the overall budget picture compared to reducing other types of spending, all else equal.

Typically, discretionary spending is divided into defense and non-defense categories (rather than security and non-security).<sup>15</sup> Between FY2001 and FY2010 (estimated), non-defense discretionary budget authority has risen 5.3% per year on average.<sup>16</sup> Considering the rapid growth in this type of spending over the last decade, it may be challenging to enact the President's proposal to freeze a large portion of this spending over the next three fiscal years.

## **Illustrating the Impact of the President's Proposal to Freeze Non-Security Discretionary Spending**

To illustrate the impact of the policies proposed in the FY2011 budget, the Administration computes three budget baselines. The purpose of a baseline is to provide a starting point from which to measure the costs or savings of policy proposals. First, it projected a Budget Enforcement Act (BEA) baseline, using methods that mirror those that CBO uses to project its current-law baseline. This projection assumes, among other things, that discretionary spending remains constant in real (i.e., inflation-adjusted) terms. This methodology for computing the baseline has received some criticism because it does not take into account expiring policies, which are likely to be extended as they have been in past years. This results in a budget outlook that is generally considered more favorable than what is likely to occur. The second set of projections, the Current Policy baseline, assumes that certain policies due to expire will be continued. The President's Budget views the Current Policy baseline as the most realistic projection of the budget deficit and is used as their benchmark to measure the impact of their proposals. The final deficit projection, the Proposed Budget baseline, illustrates the impact if all of the policies proposed by the President were implemented. Generally, the deficit levels in the

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<sup>14</sup> For more information on spending trends, see CRS Report RL33074, *Mandatory Spending Since 1962*, by D. Andrew Austin and Mindy R. Levit and CRS Report RL34424, *Trends in Discretionary Spending*, by D. Andrew Austin and Mindy R. Levit.

<sup>15</sup> There is no standard definition for security and non-security spending. Both the Bush and Obama Administrations have calculated it differently. For FY2011, the President's *Historical Tables* budget volume, Table 8.1, shows outlays for the non-defense discretionary category at \$670.6 billion, whereas the estimates for non-security spending in FY2011 is \$520 billion.

<sup>16</sup> U.S. Office of Management and Budget, *Budget of the U.S. Government, Fiscal Year 2011, Historical Tables*, Table 8.9.

Proposed Budget scenario fall between the lower BEA baseline and the higher Current Policy figures.<sup>17</sup>

The spending controls proposed in the President's FY2011 budget do not directly result in cuts in deficit levels. That is because outlays, not budgetary resources as the Administration proposes to freeze, are used to calculate the budget deficit and are what would ultimately measure the savings generated by the proposal. Budget authority from a single year can result in outlays in multiple years. Though the proposed freeze in non-security discretionary budgetary resources only extends for the next three fiscal years and is followed by spending growth linked to inflation thereafter, outlay savings are projected over the entire FY2011-FY2020 period relative to Current Policy.

**Table 2** shows the effect on the deficit resulting from the non-security discretionary spending freeze and from the other policy proposals in the President's budget. In FY2011, the proposal to freeze non-discretionary spending results in a small budgetary savings of \$10 billion. However, the other proposals in the President's budget would result in an overall increase in the deficit relative to the Current Policy baseline. Over the FY2011-FY2020 period, the freeze in non-security discretionary spending would achieve budgetary savings of \$25 billion, on average, in each fiscal year. With a cumulative budget deficit of \$10,640 billion over the 10-year period if current policies continue unchanged, the \$249 billion in savings generated from the non-security discretionary spending would result in a 2.3% reduction in the deficit.

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<sup>17</sup> For further explanation, see CRS Report R41097, *The FY2011 Federal Budget*, by Mindy R. Levit.

**Table 2. Budgetary Savings of President's Proposals by Fiscal Year**

Deficit increase (+) or decrease (-) in billions of dollars

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2011 - 2020
Budget deficit under "Current Policy"	1,145	934	940	934	983	1,013	1,042	1,077	1,227	1,346	10,640
From freezing non-security discretionary budgetary resources	-10	-15	-24	-27	-29	-29	-30	-31	-30	-25	-249
From all other proposed policy changes	131	-90	-189	-201	-202	-206	-234	-261	-289	-318	-1,859
Budget deficit under "proposed policy"	1,267	828	727	706	752	778	778	785	908	1,003	8,532

**Source:** U.S. Office of Management and Budget, *Budget of the U.S. Government: Fiscal Year 2011*, Table S-2.

**Notes:** The budgetary savings from these proposals are relative to the Administration's baseline projections of "Current Policy," which include an extension of the AMT patch and the 2001 and 2003 tax cuts, an increase in Medicare physician payments, and several other policies. Totals may not add due to rounding.

To further illustrate the impact on the federal budget deficit of freezing non-security discretionary budgetary resources, it is useful to analyze the savings from this proposal relative to savings that could be generated if other types of spending cuts are enacted. **Table 3** illustrates the impact that different policy scenarios could have on the budget deficit over the next 10 years. The scenarios and resulting deficit projections shown in the table are (1) the President's Current Policy baseline, (2) the President's Current Policy baseline with non-security discretionary budgetary resources frozen, (3) the President's Proposed Budget baseline (which includes the freeze in non-security discretionary budgetary resources as well as all other proposals), (4) CBO's analysis of the President's Proposed Budget, and (5) the President's Current Policy baseline with non-security discretionary spending cut to zero.

Under the Current Policy baseline, the deficit is projected to equal 7.5% of GDP in FY2011, falling to 5.6% of GDP in FY2020. Using the Current Policy baseline as a starting point, enacting only the freeze in non-security discretionary budgetary resources as proposed by the President would result in a FY2011 deficit of 7.4% of GDP and 5.5% of GDP in FY2020. In contrast, if all of the President's proposed policies are implemented, the Administration projects that the deficit will fall from 8.3% of GDP in FY2011 to 4.2% of GDP in FY2020. In other words, the deficit would be 1.4% of GDP lower in FY2020 compared to current policy if all of the President's proposals are enacted. Under CBO's projections of the Administration's proposed budget, the deficit is projected to fall from 8.9% of GDP in FY2011 to 5.6% of GDP in FY2020.<sup>18</sup> While falling under all of these scenarios during the middle of the 10-year budget window, the budget deficit is expected to begin an upward trajectory in the final fiscal years of this period.

These scenarios indicate that in order to achieve greater deficit reduction, larger cuts would be needed. For purposes of illustrating the levels of spending cuts that would be required to come closer to achieving a more sustainable budget deficit, **Table 3** also shows discretionary spending and deficit levels if non-security discretionary spending is cut to zero.<sup>19</sup> This scenario would mean no federal funding for education, transportation, most energy, and numerous other programs. Using the Current Policy baseline as a starting point, if non-security discretionary spending was cut to zero and no other policy changes were implemented, the deficit would fall from 4.0% of GDP in FY2011 to 3.3% of GDP in FY2020. This scenario illustrates that to achieve a sustainable budget deficit, additional spending cuts, tax increases, or a combination would still be required.

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<sup>18</sup> U.S. Congressional Budget Office, *An Analysis of the President's Budgetary Proposals for Fiscal Year 2011*, March 2010, Table 1-2, available at <http://www.cbo.gov/ftpdocs/112xx/doc11280/03-24-apb.pdf>.

<sup>19</sup> The level of sustainability for the budget deficit cannot be precisely defined. Economists believe that a sustainable budget deficit would be one where the deficit, measured as a percentage of gross domestic product, is lower than the growth rate of the economy. Cumulative budget deficits will cause an increase in the amount of federal spending devoted to net interest costs.

**Table 3. Budget Deficit Effects of Changing Discretionary Spending Levels**

FY2011-FY2020

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
<b>Discretionary Spending Levels</b> (outlays, in billions of dollars):										
Current Policy baseline	1,376	1,340	1,343	1,367	1,396	1,425	1,460	1,496	1,534	1,573
Current Policy baseline with non-security discretionary spending frozen	1,366	1,325	1,319	1,339	1,368	1,396	1,430	1,465	1,504	1,548
President's Proposed Budget (including non-security discretionary spending freeze)	1,415	1,301	1,267	1,283	1,310	1,337	1,371	1,405	1,442	1,484
CBO analysis of Pres. Proposed Budget (including non-security discretionary spending freeze)	1,401	1,334	1,301	1,303	1,323	1,355	1,381	1,407	1,446	1,487
Current Policy baseline with non-security discretionary cut to zero	846	850	863	882	903	921	944	968	993	1,019
<b>Budget Deficit</b> (as a percentage of GDP):										
Current Policy baseline	7.5%	5.8%	5.5%	5.1%	5.1%	5.0%	4.9%	4.9%	5.3%	5.6%
Current Policy baseline with non-security discretionary spending frozen	7.4%	5.7%	5.3%	5.0%	5.0%	4.9%	4.8%	4.7%	5.2%	5.5%
Pres. Proposed Budget (including non-security discretionary spending freeze)	8.3%	5.1%	4.2%	3.9%	3.9%	3.9%	3.7%	3.6%	3.9%	4.2%
CBO analysis of Pres. Proposed Budget (including non-security discretionary spending freeze)	8.9%	5.8%	4.5%	4.1%	4.3%	4.7%	4.7%	4.8%	5.3%	5.6%
Current Policy baseline with non-security discretionary cut to zero	4.0%	2.7%	2.7%	2.5%	2.6%	2.5%	2.5%	2.5%	3.0%	3.3%

**Source:** U.S. Office of Management and Budget, *Budget of the U.S. Government: Fiscal Year 2011*, Table S-1. CRS calculations based on U.S. Office of Management and Budget, *Budget of the U.S. Government: Fiscal Year 2011*, Tables S-1 and S-4 and U.S. Congressional Budget Office, *An Analysis of the President's Budgetary Proposals for Fiscal Year 2011*, Table 1-2.

**Notes:** In the deficit estimates under the scenarios of the President's Current Policy baseline with non-security discretionary spending frozen and cut to zero, net interest savings are not included. CBO and OMB have different assumptions about economic growth projections.

## Does Cutting Non-Security Discretionary Spending Really Lower the Deficit?

Freezing non-security discretionary spending can reduce the deficit relative to certain policy alternatives. In other words, whether or not freezing non-security discretionary spending actually lowers the deficit depends on which deficit projections are used as the starting point to measure the impact of policy changes. As described earlier, the President's budget contains three budget scenarios, the BEA baseline, the Current Policy baseline, and the Proposed Policy baseline. To measure the savings generated by the proposed freeze in non-security discretionary spending, the Administration measured discretionary spending against the Current Policy baseline, which generates total savings of \$250 billion over the FY2011-FY2020 period. Depending on which baseline scenario is used as a starting point, this proposal may generate lower levels of savings compared to what is described in the President's budget. For example, if one considered any growth in discretionary spending to be an increase over current policy, the proposal would yield no savings.

Some of the funding cuts proposed to achieve this freeze would likely have occurred anyway. Funding for the Department of Commerce's Census Bureau is proposed to fall by nearly \$6 billion between FY2010 and FY2011, from \$7.2 billion in FY2010 to \$1.3 billion in FY2011. The Census Bureau received a large boost in funding in FY2010 to conduct the decennial census, with some funds remaining available through FY2011.<sup>20</sup> Other bureaus within Commerce would receive increases in funding as the overall cut for the department amounts to \$5 billion. The proposed cut in funding for the Department of Commerce is the largest of any agency or program between FY2010 and FY2011, and represents nearly all of the savings in budgetary resources between FY2010 and FY2011.<sup>21</sup>

As shown in **Table 1**, despite the drop in non-security discretionary budgetary resources between FY2010 and FY2011, from \$446.7 billion to \$441.3 billion, spending rises again between FY2011 and FY2012, from \$441.3 billion to \$446.4 billion, and remains flat in FY2013, at \$446.2 billion. While the FY2012 and FY2013 levels are essentially equal to the FY2010 level, this funding freeze is based on elevated non-security discretionary budgetary resources from the American Recovery and Reinvestment Act (ARRA, P.L. 111-5). CBO's cost estimate showed that most of the discretionary budget authority from ARRA was available in FY2009, with another \$7.1 billion slated to be available in FY2010.<sup>22</sup> The freeze in non-security discretionary spending, based on FY2010 levels, therefore contains at least some funding meant to be one-time spending.

While the Administration wants to limit non-security discretionary spending over the next 10 years, proposed security discretionary spending levels rise over the next decade. Increased security spending is expected to increase the deficit by \$284 billion between FY2011 and FY2020. Excluding the costs of overseas contingency operations, total discretionary spending is projected to rise by \$35 billion between FY2011 and FY2020.

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<sup>20</sup> For more information, see CRS Report R40644, *Commerce, Justice, Science, and Related Agencies: FY2010 Appropriations*, coordinated by Nathan James, Oscar R. Gonzales, and Jennifer D. Williams.

<sup>21</sup> Several other agencies are also receiving funding cuts but these are offset by increases in funding to other agencies.

<sup>22</sup> U.S. Congressional Budget Office, *Cost Estimate for the Conference Agreement for H.R. 1*, February 13, 2009, available at <http://www.cbo.gov/ftpdocs/99xx/doc9989/hr1conference.pdf>.

Finally, achieving savings from this proposal ultimately depends on what policies Congress enacts this year and in each subsequent budget cycle. Even if Congress does enact the President's proposal to freeze non-security discretionary spending in this year's budget, it is hard to bind future Congresses to freeze this spending in later periods. Because Congress enacts appropriations every year, it would continue to face a decision on legislation restraining non-security discretionary spending in future years as well.

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